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ECONOMIC COMMISSION FOR LATIN AMERICA

STATEMENT BY MR. ENRIQUE V. IGLESIAS, EXECUTIVE SECRETARY OF CEPAL, AT THE SECOND REGULAR SESSION OF THE UNITED NATIONS ECONOMIC AND SOCIAL COMMISSION, HELD AT GENEVA

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In carrying out my traditional duty of reporting to this Council on the recent economic evolution of Latin America, I would like to make some remarks on the international economic situation and its implications for the region, as well as on the policy options available to the Latin American countries.

In view of the responsibilities incumbent on this Council, the highest economic body of the Organization, and of the mobilization of the General Assembly with a view to holding a new round of global economic negotiations, it is particularly pertinent to report to you on the economic prospects of a region as our Secretariat sees them. The economic policies of the region have become increasingly linked with the international scene. Our countries should therefore be vitally interested in the course and the outcome of this indispensable effort of the United Nations at a particularly critical moment in economic history.

I. THE CURRENT INTERNATIONAL ECONOMIC SITUATION: CRISIS, INSECURITY AND CONFUSION

The general characteristics of the current international economic situation are well known; they have already been described at this session of the Council. The crisis is a serious and profound one which simply cannot be dismissed as a mere inflection of a conjunctural nature.

The stagnation of economic activity has continued for a much longer period than was the case during previous recessions in almost all the industrial countries. Unemployment is the highest it has been since the Great Depression, with estimates showing around 30 million unemployed in the OECD countries.

Recently, certain favourable indicators have shown that inflation has gone down in the United States and during the last quarter there have been signs of a slight but encouraging recovery in that country's gross product. These indicators, however, are not duplicated in other industrial centres. Thus, the May communiqué from the OECD Ministers points out that we may expect soon to see a moderate expansion of economic activity in the OECD zone, possibly including an improvement in the employment situation during the coming year, but that this expansion will not be sufficient to bring about a rapid drop in the present high level of unemployment.

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The large industrial centres have agreed to concentrate on combating inflation as their first goal and have chosen to try to achieve this goal primarily by using monetary tools. In view of this, when no significant progress was made in reducing fiscal deficits, there was strong pressure to raise the interest rates. Indeed, real interest rates have reached levels that not only are without precedent in the post-war period but which are only comparable with those prevailing during the Great Depression. Thus, we are faced with a truly exceptional situation. During 1982, interest rates on the free market have remaind at around 16.5%. Since inflation rates have dropped at the same time, real interest, traditionally averaging 2%, has abruptly risen to averages of 6 and 7%. This phenomenon has brought about a reduction in investment levels and heavy flows of capital between the industrial countries. The latter have in turn led to a drastic revaluation of the United States dollar vis-à-vis the other currencies.

The abrupt and unexpected currency fluctuations in the central countries may now be inevitable, but they are nonetheless a destabilizing element in the international economy. This problem was given special attention by the Chiefs of State meeting recently at Versailles, who stressed the importance of achieving a more harmonious functioning of the machinery for adjusting exchange rates.

Moreover, the increasing balance-of-payments problems of some industrialized countries, the persistence of unemployment in most of them and the stubborn unresponsiveness of the productive system have led to serious confrontations in the trade policies of the central countries that seem to be leading them into dangerous protectionist practices. This of course would represent a large and negative step backward in the sustained and beneficial trend towards free trade that began after World War II.

No less serious is the fact that, faced with this difficult and complicated panorama, those responsible for economic policies have not been able to strike a clear and viable course of action based on the prevailing theories. The continuing debates between proponents of monetarist and Keynesian solutions have not succeeded in throwing enough light on the causes of stagflation and they have been even less successful in suggesting what measures should be taken to overcome it. To this confusion at the theoretical level, with its inevitable implications at the level of action, has been added a lack of co-ordination in the economic policies of the industrial countries commensurate with the seriousness of the problems currently facing the international community.

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II. THE EFFECT OF THE INTERNATIONAL CYCLE ON THE PERIPHERY

Obviously, this confusing situation has created difficulties for the countries of the periphery, for which the present behaviour and future evolution of the central economies are fundamental. This is particularly true in the case of the Latin American countries that have in recent years and in different ways been pursuing policies of commercial and financial openness.

The effect which the unsatisfactory international situation has on our countries may be easily seen in certain very significant areas:

(a) The atonicity of domestic demand in the industrial countries and particularly the decline of investments and the reduction of stocks generated, fundamentally, by high interest rates have substantially weakened the prices of basic commodities, which have dropped consistently over the past twelve months and still show no signs of firm recovery. In the case of the non-oil-exporting countries of Latin America, the terms of trade, already deteriorated by around 30% during the triennium 1978-1980, dropped by 11% in 1981 and the situation does not seem to have improved during the first half of 1982.

(b) The rise in interest rates has greatly increased the cost of servicing the external debt of the developing countries. To appreciate the effect this process has had on the Latin American economies, we should note that, given the current level of external indebtedness of the region, every time the interest rate goes up one point, the cost of servicing the debt increases by approximately 1 000 million dollars.

(c) Restrictive fiscal policies have led to reductions in financial assistance for development, particularly as regards the contributions of multilateral banking institutions and national assistance programmes. Although the percentage which such loans represent in the total external indebtedness of the region has decreased during the last decade, they are still essential to the development of Latin America and particularly to the progress of the medium-sized and small countries that still depend heavily on public financial flows.

(d) The protectionist trends that have in various forms become stronger in certain industrialized economies are likely to create problems for Latin American trade, particularly in the case of new exports of manufactured goods, which have been gaining ground in recent years and which constitute an important factor in promoting the global economic dynamics of semi-industrialized countries such as

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many of the Latin American ones. In this regard, it is worth recalling that certain recent events, such as the multi-fibre agreement, have caused serious concern about what might happen in future should protectionism increase in the world.

III. THE INTERNATIONAL RECESSION AND THE RECENT EVOLUTION OF LATIN AMERICA

It would be risky to attribute all the problems of the Latin American economy in recent times to the behaviour of the international economy. It is well known that situations are different in the different countries of the region and that, along with the problems deriving from the external situation, there have in certain cases been problems arising from the application of inadequate economic policies or from a lack of adequate policies.

All in all, however, we cannot ignore the fact that the external cycle plays a fundamental role in the recent behaviour of the Latin American economy. This is shown by certain basic indicators of the evolution of the region's economy in 1981.

(a) The growth rate for 1981 -barely 1.7%- was the lowest for the entire post-war period. This is in sharp contrast with the growth rate for the previous year, i.e., 5.9%. This means that the per capita product dropped for the first time in the last thirty years.

(b) Because of the decline in the terms of trade and the high interest rates, the deficit in the balance-of-payments current account remained at exceptionally high levels, with the total deficit for the region amounting to 38 000 million dollars in 1981 as compared with 28 000 million in 1980.

(c) As a result of the above, the gross external debt disbursed is estimated to have amounted to around 240 million dollars in 1981, thus doubling over the last three and a half years.

(d) The fiscal situation deteriorated substantially in many countries of the region and the budgetary deficit grew, forcing the countries to reduce public expenditures and particularly investment expenditures.

(e) Some of the consequences of the changes described above have been a clear deterioration of the social situation, with real wages decreasing in the great majority of the countries, and a substantial rise in unemployment in many of them.

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(f) Another, no less disquieting, corollary is the critical situation faced by business in many countries of the region. This has been particularly influenced by the reduction in the level of domestic activity, the drop in international prices of goods and, most of all, the new phenomenon of extremely high real interest rates. The high international interest rates have been projected on the domestic economies and the effect of this external factor has been increased by certain internal phenomena, as a result of which the interest rates in many countries of the region have reached such exceptionally high levels that it will be impossible to sustain them beyond a limited period. Not only has this seriously hampered investment, it has also brought about serious disequilibria in the business economy, where enterprises have had to resort to increasing indebtedness at very high rates which have in turn eroded their profitability and in some cases brought about their downfall. Naturally, these negative phenomena have affected the profitability and even the viability of various financial entities in some countries of the region.

IV. THE PROSPECTS FOR THE IMMEDIATE FUTURE

Given these circumstances, it is quite difficult to project possible scenarios for the regional economy, inasmuch as there are no clear indicators of the probable behaviour of the world economy. In this respect, it is worthwhile recalling that in recent years the forecasts made at the international level have more or less systematically been belied by reality. We must therefore be cautious.

Some optimistic forecasts based on recent indicators of the United States economy anticipate a recovery of that economy for the last quarter of this year. But even according to the best estimates, this recovery will be modest and will not be accompanied by a similar phenomenon in the European countries.

Other less optimistic forecasts envisage a continuation of the current recessive phenomenon well into 1983; this would thus postpone any frank recovery of the industrialized economies until the second semester of the following year.

In any event, no one anticipates a vigorous cycle of growth during 1983 and it is quite likely that, in the best of cases, recovery will be slow and uneven in the main industrial centres.

Moreover, misgivings have also been expressed with regard to the very nature of the recovery, and in particular, with regard to the capability of the system to avoid the dangers of a recurrence of inflation. Nor can we be sure of how fast and how strongly the recovery will be transmitted to the countries of the periphery.

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Faced with these possibilities, what course should the countries of the region follow? I believe that, to speak in conservative terms, it would be wise to anticipate a further period of difficulties, which will mean that the region must make use of all the capacity for protecting itself that it has shown in recent years and, in particular, that it must carry out a set of policies that will enable it, if not to avoid at least to mitigate the impact of a particularly acute depressive cycle in the international economy.

I have no doubt that this is possible, although it should be stressed that when the region showed its extraordinary capacity for protecting itself during the energy crisis of the mid-1970s, the circumstances in these countries were quite different from the present ones.

In the first place, at that time the increase in the prices of fuels were accompanied by sharp rises in basic commodities, which are vital to the external economy of the region. This greatly contributed towards neutralizing the impact of the higher price of oil and maintaining domestic activity.

In addition, Latin America's indebtedness at the beginning of the crisis of the mid-1970s was very low. Thus, in 1973 the gross external debt disbursed was approximately 40 000 million dollars, only 30% more than the total value of exports for that year. In such circumstances, many countries of the region were able to resort to external indebtedness which, moreover, was abundant given the considerable international liquidity created by the oil surpluses and the financial permissivenes: of the private international banks which were anxious to place their surpluses profitably.

This situation has changed drastically during the 1980s. In the first place, the prices of major exports remain at dramatically low levels. In the second place, the external debt rose in 1981 to an estimated amount of nearly 240 000 million dollars, almost double the value of total exports during the same year. In the third place, the international financial entities themselves do not show the same capability for meeting the growing needs for international financing of the developing countries or, at least, of a large number of them. Finally, the level of domestic inflation faced by many countries of the region is substantially greater than it was before the first energy crisis.

This means that today it is much more urgent to apply more complex and integral adjustment policies, a question on which I would now like to make the following comments.

V. THE POLICY OPTIONS AVAILABLE TO THE COUNTRIES OF THE REGION

Let us begin by repeating what we said before. It is difficult to make generalizations about the economic policies of the countries of the region. Although there are recurring common denominators, the individual situations are quite different. There are differences in the size of the economies, the degree of external openness, the level of indebtedness, the trade structures and the availability of natural resources, all of which means that we are dealing with very different situations when analysing the economic policy options open to each country.

Moreover, in view of the growing internationalization of the Latin American economy, these options will depend to a very large extent on how the large centres respond, through their adjustment policies, to the following questions:

- When and how will there be a recovery in the dynamism of domestic demand, investment levels and stocks of raw materials?
- In connexion with the above, although considering the specific factors involved, when will the existing high interest rates begin to go down?
- Will it be possible to check the growing protectionist trends in the industrial countries or will they, on the other hand, become stronger, particularly in sectors that are crucial to our exports?
- Will private and public financial flows continue to reach the region in adequate amounts and on suitable terms?
- What levels will be reached by the price of fuels on the world market?

The answers to these questions will of course determine what the policy options will be. That is why, more than pointing to a concrete set of recommendations that could be carried out in each and every one of the countries of the region, our remarks are meant merely to serve as a guide for discussion of the topic, which can be dealt with in specific terms only at the national level.

Three fields of action, world-wide, regional and national, are open to the countries of the region.

1. Policy

1. Policy options at the world-wide level

It is all too well known that the economies of the periphery have very little influence on the course of the international economic situation, except in few and exceptional instances such as in the case of the policies of the oil-exporting countries.

It has nevertheless become obvious in recent years that the industrializing countries, by substantially increasing their foreign trade, not only have expanded their domestic productive capacity but also have opened wide possibilities for imports of products from the industrialized countries. Thus, in today's world, the trading capacity of the countries of the periphery is already a significant factor for some exporting sectors of the industrialized countries and is thereby becoming a dynamic factor in the international cycle.

As a result, the maintenance and especially the growth of this import capacity of the periphery are factors which have a positive influence on the policy of international reflation which cannot be ignored by the large centres.

Thus, along with considerations of international equity which encourage and justify global negotiations aimed at achieving a new world economic order, the external dynamism of the peripheral countries is an additional element in the mutuality of interests which should encourage and inspire these negotiations. It is for these reasons that Latin America can benefit greatly by joining with the Third World countries, as it is doing, to promote a promising and constructive international dialogue.

It would thus appear to be in no one's interest to postpone negotiating efforts until the central economies have recovered. It would rather be beneficial for all to incorporate the dynamics of the peripheral countries into the recovery policies, especially those of Latin America.

In this context, and within the overall framework in which these negotiations will take place, two aspects are vitally important for the region in the next few years, in view of the influence of the international economy on that of Latin America:

(a) The maintenance of smooth financial flows to support the period of transition towards a more dynamic stage within the cycle of the international economy. This is valid not only for private credit but also for that originating in public entities. In effect, our countries' growing need for long-term investments, added to the deterioration of the external debt picture, make it necessary to resort to public capital which, even though it may not be predominant, would serve as a catalyst to the private financial sector itself and would make it possible to improve the structure of maturity dates of the external debt. In other words, we feel that a time is coming in which the financial flows from public and private bodies must reinforce each other, and that there is room for imaginative forms of association among them which the region will be able to use intelligently and appropriately in the present circumstances. It is for this reason that it seems important to us to include as an objective in the programme of negotiations the strengthening of world financial institutions such as the International Bank for Reconstruction and Development and the International Monetary Fund, or regional institutions such as the Inter-American Development Bank.

(b) The opening up of external markets to the exports of the region, particularly those of manufactures. In effect, it will not be possible to sustain the rate of growth of our imports or a healthy capacity for making external payments without a concomitant step forward in our exports. In this regard, we should remember that despite the difficulties facing the expansion of world trade in 1981, the volume of exports from the region grew by 7% that year, highlighting the fact that there is a new and more diversified productive capacity in Latin America, and that if this capacity is not used, for reasons due to external factors, both the training and the financial capacity of the region cannot help but be affected. It is thus important to support movements towards maintaining open trade policies in the industrial countries which facilitate the efforts being made in recent years by many countries of the region which offset the openness policies which -although not without high domestic cost in many cases- have been followed in recent years by these countries.

The support for global negotiations and the strengthening of the present negotiation machinery in forums such as UNCTAD, GATT, IMF and the World Bank, should thus be fundamental priorities in the international action of the region. Only in this way can global interdependence be used as a clear element of support for the recovery of the world economy.

These actions will have to be complemented by definite and imaginative efforts to increase the commercial, financial and technical co-operation ties with the other regions of the Third World. This area, which was neglected until a few years ago,

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but to which the Latin American countries are now paying increasing attention, presents significant possibilities for development and diversification, especially for the more advanced economies of the region.

2. Policy options at the regional level

In the present circumstances a new field is opening up for Latin American co-operation. As in earlier periods when there were difficulties in the external markets, the opportunities opening up in the regional market must be vigorously revitalized and utilized. This of course does not mean that regional efforts alone can replace or supplant the essential international co-operation required for the development of Latin America. We must try to promote additional mechanisms for regional co-operation as a compensating factor in the international cycle, by opening new and permanent channels for expanding regional markets and co-operation. A renewed political stimulus is thus needed to envigorate the ideal of Latin American co-operation.

The total market of Latin America is now reaching a trillion dollars (1 000 billion in British terminology) and our foreign merchandise trade is nearing 200 billion dollars, in both exports and imports.

Perhaps the example of some sectors will highlight the magnitude of the opportunities for the expansion of regional trade: the hydroelectric sector, which has top priority within the regional energy policy, will require in the next 10 years about 50 turbogenerating units per year for installations of more than 100 megawatts, which will involve an average annual investment for this sector of nearly 9 billion dollars.

The growth of the iron and steel production capacity for the region as a whole would be around 55 million tons by the end of the decade. To achieve this expansion, investments of around 4 billion dollars per year will be required.

The expansion in cement plants now planned for the region will total annual investments over the decade of nearly 1 billion dollars.

Thus, in these three sectors alone, the region will have to invest nearly 14 billion dollars in areas of direct interest to the Latin American metal manufactures and machinery industry. There is enough industrial experience, installed capacity and experienced entrepreneurs in the region to deal efficiently with a significant part of this demand for products from the metal manufactures

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and machinery industry, and this is only one example of the sectors open to regional co-operation.

Certainly, for the efficient use of the regional market, clear commitments will be required on the part of the governments, as well as adequate export promotion policies and dynamic initiatives on the part of the public and private entrepreneurial sectors.

It is certainly not a question of returning to anachronistic and autarchic policies but rather of utilizing and improving the existing regional markets in order to achieve increasing participation -and, when necessary, association with foreign enterprises- to take advantage of the opportunities offered by their expansion.

In this regard, it is appropriate to point out that some interesting initiatives for collaboration among private Latin American entrepreneurs are now in progress. Promotion experiences underway at CEPAL have persuaded us that there is a promising field on which to base both national and regional policies for co-operation. And we should certainly not ignore the efforts to stimulate the present regional integration schemes and the flexible work which may be carried out by the SELA machinery.

3. Options at the national level

As can be seen from the above, it is impossible to specify a unique and ideal combination of economic policies at the national level. Most of the countries of the region, however, are making decisions on four priority fronts, in regard to which we would like to make some comments.

(a) External indebtedness

The countries of the region have been turning to external debt for various reasons. In many cases they have tried to cover the deficit in their external accounts, which are under pressure from imported inflation, the increase in the cost of energy or the process of external openness itself. In other cases, external debt was used to shore up domestic credit markets and finance the expansion of consumption and investment. In others, finally, external indebtedness actually facilitated the flight of capital generated by the instability of domestic policies. Thus, the assessment of indebtedness policies in each country is obviously connected with the ultimate purpose of the external debt.

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However, an examination of the levels of indebtedness reached by some countries of the region should bring out one basic fact: in addition to an extraordinary growth in the debt, there was also an exceptional expansion of domestic productive capacity and volume of exports. It is important to point out this fact, in that whatever final assessment is made of the policy of indebtedness, it must be related to the dynamic of those variables and not merely with the absolute volume reached by the external debt.

The current levels of this debt, along with the recent adverse evolution of the terms of trade and international interest rates, will probably lead the governments to be more selective in the area of external indebtedness. External credit, like the reduction in reserves, is a legitimate instrument to which countries may resort at critical points in the external cycle, such as the present time. But under present circumstances, both the amounts to which external debt has risen and its very high cost point to the need for caution in its use.

The countries of the region have thus realized that through various domestic policy approaches they have managed to reduce their trade deficit in recent years, although at the cost of sacrificing their level of domestic activity. However, it is obvious that the seriousness and duration of the international recession will make it necessary to resort to external debt in the coming years with the above-mentioned reservations. On the other hand, this policy option should not be a cause for concern, in view of the dynamics of the region and the vigorous exporting capacity shown in the past ten years.

Within this context, we believe that recourse to financing should continue to be used, opening the way, as mentioned before, to greater participation by public credit. This is especially necessary in the current situation, since it not only will improve their debt profile but also will be an additional incentive for the flow of private capital into the region.

(b) Tariff policies

In general terms, many countries of the region have applied policies in recent years oriented towards increasing industrial efficiency through the restructuring and gradual reduction of their external tariffs. In essence, this has involved a recognition, on the one hand, of the need for the developing countries to resort to tariff policies to support their newly created industries and an admission, on the other hand, that this protection should have limits in time, whose concrete

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dimensions must be defined in the economic policies by specifying the rate at which the tariff adjustments will take place.

In this area, the experiences of the region have been varied and show very different degrees of intensity.

In the present circumstances, however, these policies must be reconciled, on the one hand, with the international economic situation and the economic policies of the centres and, on the other, with other domestic economic policies. The international economic situation has created new factors in the trade reform programmes on which some of the countries of the region have embarked. The advance of protectionist trends, the extent and intensity of the industrial centres' export promotion and subsidy policies, and even the fluctuating exchange rates themselves make it imperative to revise the policies for restructuring and reducing tariffs being applied in our countries. In other words, the pace of this reform must be realistically reviewed with respect to the trends in international trade, in order to avoid unnecessary and intolerable costs for the domestic productive apparatus.

(c) Exchange policy

Moreover, tariff reform policies must be accompanied by export promotion policies which legitimately defend the new and greater competitiveness of our countries and make it possible to consolidate the gains made in this area in the international markets in recent years.

In this area the management of exchange policies and the maintenance of realistic exchange rates are of special significance. Naturally these are particularly necessary in those countries where there have been significant reductions in their external tariffs. And they are even more indispensable in the current international economic situation in order to maintain the competitiveness of both exporting industries and efficient import-substituion industries. Calling for realistic exchange rates of course does not mean denying that the mechanics and ways and means of exchange policies are highly specific and that they depend on the overall economic policies and other determining factors particular to each country. However, as shown clearly by historical experience, the decisive role of exchange policies in export promotion and diversification must not be sacrificed by using exchange parity mainly as a policy instrument for short-term stabilization.

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(d) Public expenditure policies

The inflationary pressures arising from the fiscal deficit have led many countries of the region to pursue rigorous objectives of fiscal austerity, which have meant significant cuts in public expenditures, particularly in investment.

Without disregarding the fundamental role played by the fiscal austerity policy in any anti-inflation policy, we cannot help but point out the need to reconcile this objective with other no less important social objectives.

The utilization of public expenditure for social purposes, particularly the defence of investments with a high employment content or with a heavy impact on the mobilization of idle resources cannot be set aside in these times.

It is enough to recall on this occasion the policies applied in many Latin American countries during the 1930s which, except for differences in time and the nature of the economic problems, left a positive aftermath of social effects and above all contributed to a vigorous support of the economic and industrial infrastructure of the region in that critical period.

VI. FINAL OBSERVATIONS

From the above we may conclude that many of the problems plaguing the region today will be alleviated as the central economies recover their economic dynamism, without again becoming subject to the inflationary pressures of the past.

This lends special urgency and priority to the appeal made by the Secretary-General of the United Nations to this Council, in his opening speech, for a co-ordinated, non-inflationary economic recovery programme, which would incorporate, as an integral element, efforts to alleviate the heavy burden which the present crisis has brought upon the economies of the developing countries.

This makes important and very difficult changes necessary in the direction of each country's specific domestic economic policies, and a vigorous harmonization of the economic policies of the central countries.

In regard to the efforts of the countries of the region themselves in this recessionary period, we can conclude that the external openness policy carried out in recent years has opened new possibilities in the region in respect of its economic development policy, but it has also implied new and growing vulnerabilities.

The recent changes in the international economic situation and the prevailing uncertainty and confusion make it difficult to plan a course of action. And it is

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clear that no country can avoid the cost of the adjustments being imposed by the international cycle. What must be done is to mobilize domestic resources to the maximum through appropriate policies in order to moderate or spread out over time the cost of the adjustments required.

In these circumstances, the adoption of flexible and pragmatic policies seem to be the only reasonable course of action. Only in this way will we be able to use the extraordinary defence potential available to the region and find a way out of the difficult current situation.

In this regard, it is worth emphasizing some lessons we have received as a legacy from the past.

Firstly, it is not possible to leave domestic adjustment to the automatic forces of the international market as was done in the 1930s. Although the importance of this factor cannot be ignored, active economic policies are required on all fronts. Leaving the adjustements open to the influence of the unstable and stagnant international markets would imply extraordinarily high costs, both social and economic. It should be recalled that our economies are still weak entities whose capacities for social or economic endurance are limited. In the social area, defending the levels of employment or applying policies oriented towards satisfying the basic needs of the population are objectives which are of especially high priority under the circumstances. In the economic field the often inevitable impact of the international cycle on the economies of corporations is causing serious problems for the survival of the business sectors, to which the opportunity must be given to make gradual adjustments over time in their search for economic and financial equilibrium.

In the second place, and as a corollary to the above, it is legitimate and necessary to highlight the anti-inflationary objective, since the profound economic and social traumas which this phenomenon has caused and is still causing in the region are well known. But this objective cannot be exclusive. It must be fit in with other equally important ones, one of which, for example, is the ability to compete internationally to defend our incipient industrial exporting sector and the social expenditure needed to achieve basic, minimal employment and consumption objectives.

Thirdly, and while recognizing the importance of the use of monetary policies, the complexity of the times and the variety of objectives that must be pursued by

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economic policy indicate that this policy cannot be reduced to using only monetary mechanisms. What is necessary is to activate all the approaches and instruments of economic policy, particularly fiscal policies, and make sure that income policies, which are very directly connected with principles of fairness and justice, are not sacrificed a priori to the immediate urgency of the current situation.

In conclusion, I want to repeat that, although we cannot disregard the severe difficulties of the present economic situation, I believe that the region, by appealing to the dynamism it has shown signs of in recent years, and especially the progress it can make through its own efforts, will be able to emerge from the critical period brought upon it by the international economy and once again pursue the ambitious development goals which were defined by the member governments of CEPAL at the last plenary session in Montevideo.

On that occasion we addressed the governments, expressing our reflections on the enormous development potential available to Latin America in facing the challenge represented by these serious and still unresolved social problems.

Having outlined on this occasion immediate problems in order to bring them to the attention of this Council, we can neither forget those objectives nor our firm conviction that a future of vigorous growth and social progress is opening up for the region. It is thus essential that policies of international co-operation should be mobilized, that the region should take advantage of the enormous potential for development implied by regional co-operation, and that domestic policies should be successful in pragmatically and flexibly overcoming the present obstacles.